

7535-01-U

NATIONAL CREDIT UNION ADMINISTRATION

12 CFR Part 741

REQUIREMENTS FOR INSURANCE

AGENCY: National Credit Union Administration (NCUA)

ACTION: Notice of proposed rulemaking and request for comment.

SUMMARY: NCUA proposes to amend its rule concerning financial and statistical reports to require all federally insured credit unions to file the same quarterly Financial and Statistical Report with NCUA. Under the amendment, all federally insured credit unions will file Form NCUA 5300 quarterly and the alternate Form NCUA 5300SF for credit unions with assets of less than ten million dollars will be eliminated.

DATES: Comments must be received on or before [Insert date 60 days after publication in the FEDERAL REGISTER].

ADDRESSES: You may submit comments by any of the following methods

(Please send comments by one method only):

- Federal eRulemaking Portal: <http://www.regulations.gov>. Follow the instructions for submitting comments.

- NCUA Web Site:

http://www.ncua.gov/RegulationsOpinionsLaws/proposed_regs/proposed_regs.html. Follow the instructions for submitting comments.

- E-mail: Address to regcomments@ncua.gov. Include “[Your name] Comments on Proposed Rule Section 741.6,” in the e-mail subject line.
- Fax: (703) 518-6319. Use the subject line described above for e-mail.
- Mail: Address to Mary F. Rupp, Secretary of the Board, National Credit Union Administration, 1775 Duke Street, Alexandria, Virginia 22314-3428.
- Hand Delivery/Courier: Same as mail address.

Public inspection: All public comments are available on the agency’s website at <http://www.ncua.gov/RegulationsOpinionsLaws/comments> as submitted, except as may not be possible for technical reasons. Public comments will not be edited to remove any identifying or contact information. Paper copies of comments may be inspected in NCUA’s law library, at 1775 Duke Street, Alexandria, Virginia 22314, by appointment weekdays between 9:00 a.m. and 3:00 p.m. To make an appointment, call (703) 518-6546 or send an e-mail to OGCMail@ncua.gov.

FOR FURTHER INFORMATION CONTACT: Matt Nixon, Risk Management Officer, or Larry Fazio, Director, Division of Risk Management, Office of Examination and Insurance, at the above address or telephone number: (703) 518-6360; or Regina M. Metz, Staff Attorney, Office of General Counsel, at the above address or telephone (703) 518-6540.

SUPPLEMENTARY INFORMATION:

Proposed Change

The NCUA Board proposes revising §741.6(a), the provision governing the filing of quarterly Financial and Statistical Reports, also known as Call Reports or 5300 reports. 12 CFR 741.6(a). The NCUA Board last revised §741.6(a) in 2002. 67 FR 12464, March 19, 2002. Before those 2002 revisions, this section required all federally insured credit unions with assets in excess of \$50 million to file a quarterly call report with NCUA. All other federally insured credit unions filed semiannually.

Since the 2002 amendments, all federally insured credit unions are required to file quarterly Call Reports, but credit unions with less than ten million dollars in assets have the option of filing a short form for the first and third quarters. The current proposed amendment would require all federally insured credit unions to file the same quarterly call report form, a revised Form NCUA 5300.

The revised Form NCUA 5300 consolidates information, reduces ancillary schedules, and is easier to read and use. Based on the revisions, the short form is no longer needed. NCUA's regional offices have reviewed the proposed consolidated format and have concurred with this recommendation to improve efficiency.

The new design provides many benefits for credit unions. The Call Report form will have a consistent appearance each cycle, which will eliminate confusion for smaller credit unions, and it is shorter: 16 pages compared to 19 pages in the current version. In addition, the revised form is designed so small credit unions generally will not have to complete supporting schedules. Only the first ten pages require input by all credit unions. For comparison, the current short form is only eight pages but the new, easier format will reduce the burden. NCUA currently reports to the Office of Management and Budget an average completion time of 6.6 hours for the regular Form NCUA 5300 and 6.0 hours for the Form NCUA 5300SF. The consolidated form should not materially impact the time spent by smaller credit unions, meaning those under ten million dollars in assets.

The new design also provides efficiencies and benefits to NCUA. By eliminating the short form NCUA only has to maintain one 5300 form, one set of edits and warnings, and one set of Financial Performance Report specifications. This will improve efficiency and reduce the likelihood of introducing errors in the reporting system. In addition, the burden on the Office of the Chief Financial Officer and the cost of printing and mailing will be reduced with the distribution of a single form. Both internal and external quarterly financial trend analysis will be improved, since comprehensive quantitative data will be reported by all credit unions. Further, the shift to one Call Report will simplify maintenance of the Financial Performance Report and provide additional data needed for small credit unions to utilize fully the expanded Financial Performance Report. Additionally,

trend reports from NCUA's Automated Integrated Regulatory Examination System (AIRES) will be more consistent and detailed for smaller credit unions. For example, quarterly detail that is currently not provided for real estate loans and investments will be available when applicable.

In summary, the consolidation of the Call Report and elimination of the Form NCUA 5300SF will improve the agency's efficiency, increase the accuracy of the information collected, and simplify the reporting process for credit unions, large and small. NCUA plans to implement the revised form in September 2006. Accordingly, NCUA is proposing the corresponding changes in NCUA's regulation on financial and statistical and other reports, section 741.6, to reflect the revision to the single Call Report system.

Regulatory Procedures

Paperwork Reduction Act

The Paperwork Reduction Act of 1995 and Office of Management and Budget (OMB) regulations require that the public be provided an opportunity to comment on the paperwork requirements, including an agency's estimate of the burden of the paperwork requirements. The NCUA Board previously determined that the rule to require all federally insured credit unions to file a Call Report form on a quarterly basis is covered under the Paperwork Reduction Act.

Currently, credit unions with assets less than ten million dollars have the option in the first and third quarters of filing the NCUA 5300SF with NCUA. We now report to OMB an average completion time of 6.6 hours for the regular Form NCUA 5300 and 6.0 hours for the Form NCUA 5300SF. NCUA estimated annually 38,050 forms are submitted to NCUA, with an average annual completion time of 251,130 hours, at an annual cost of \$5,497,542. OMB approved the information collections under both Forms NCUA 5300 and NCUA 5300SF as OMB number 3133-0004.

NCUA is submitting a copy of this proposed rule and revised Form NCUA 5300 to OMB for its review. The revised consolidated form should not materially impact the time spent by credit unions. The NCUA Board invites comment on: (1) whether the paperwork requirements are necessary; (2) the accuracy of NCUA's estimate on the burden of the paperwork requirements; (3) ways to enhance the quality, utility, and clarity of the paperwork requirements; and (4) ways to minimize the burden of the paperwork requirements. The time required by a federally insured credit union to complete the call report will depend on the complexity of its operations. The NCUA Board is especially interested in receiving comments on the actual hours it takes a credit union to complete its call report based on its asset size and complexity of operations. The actual hours should exclude the time associated with the month-end closing and the preparation of the monthly financial statements.

Comments should be sent to: OMB Reports Management Branch, New Executive Office Building, Room 10202, Washington, DC 20503; Attention: Mark Menchik, Desk Officer for NCUA. Please send NCUA a copy of any comments you submit to OMB.

Regulatory Flexibility Act

The Regulatory Flexibility Act (RFA) requires NCUA to prepare an analysis to describe any significant economic impact any proposed regulation may have on a substantial number of small entities. 5 U.S.C. 601-612. NCUA considers credit unions having less than ten million dollars in assets to be small for purposes of RFA. Interpretive Ruling and Policy Statement (IRPS) 87-2 as amended by IRPS 03-2. The proposal requires all federally insured credit unions to complete the same, revised, Form NCUA 5300.

The NCUA has determined and certifies that this proposed rule, if adopted, will not have a significant economic impact on a substantial number of small credit unions. Accordingly, the NCUA has determined that an RFA analysis is not required. NCUA solicits comment on this analysis and welcomes any information that would suggest a different conclusion.

Executive Order 13132

Executive Order 13132 encourages independent regulatory agencies to consider the impact of their regulatory actions on state and local interests. In adherence to fundamental federalism principles, NCUA, an independent regulatory agency as defined in 44 U.S.C. 3502(5), voluntarily complies with the executive order. This proposed rule, if adopted, will not have substantial direct effects on the states, on the relationship between the national government and states, or on the distribution of power and responsibilities among the various levels of government. NCUA has determined the proposed rule does not constitute a policy that has federalism implications for purposes of the executive order.

Treasury and General Government Appropriations Act, 1999

NCUA has determined that the proposed rule will not affect family well-being within the meaning of section 654 of the Treasury and General Appropriations Act, 1999, Pub. L. 105-277, 112 Stat. 2681 (1998).

Agency Regulatory Goal

NCUA's goal is clear. The proposed regulatory change is understandable and imposes minimal regulatory burden. NCUA requests comments on whether the proposed rule change is understandable and minimally intrusive if implemented as proposed.

List of Subjects in 12 CFR Part 741

Credit Unions, Requirements for Insurance

By the National Credit Union Administration Board on September 15, 2005.

Mary Rupp

Secretary of the Board

Accordingly, NCUA proposes to amend 12 CFR part 741 as follows:

Part 741 – Requirements for Insurance

1. The authority citation for part 741 continues to read as follows:

Authority: 12 U.S.C. 1757, 1766(a), and 1781-1790; Pub.L. 101-73.

2. Amend §741.6 by revising paragraph (a) to read as follows:

§741.6 Financial and statistical and other reports.

(a) Each operating insured credit union must file with the NCUA a quarterly Financial and Statistical Report on Form NCUA 5300 according to the deadlines published on the Form NCUA 5300, which occur in January (for quarter-end December 31), April (for quarter-end March 31), July (for quarter-end June 30), and October (for quarter-end September 30) of each year.